

**Testimony by USAID Counselor for Innovation
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before the
U.S. House Committee on Foreign Affairs
Subcommittee on Asia, the Pacific, and the Global Environment
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“Climate Change Finance: Providing Assistance for Vulnerable Countries”**

Chairman Faleomavaega, Ranking Member Manzullo, and members of the Subcommittee on Asia, the Pacific and the Global Environment, on behalf of Administrator Shah and the U.S. Agency for International Development (USAID), thank you for the opportunity to testify on this important and timely topic. I appreciate the leadership on this issue demonstrated by Under Secretary Brainard of the Department of Treasury and Deputy Special Envoy Pershing of the Department of State. Our three agencies work closely to ensure a robust response on the part of the U.S. Government to the critical threat of global climate change. In addition, the U.S. military has historically been at the forefront of technological innovation, and I believe we should look for opportunities to collaborate even more closely on climate solutions in the developing world. In my role as Senior Counselor to the Administrator and Chief Innovation Officer at USAID, I have been working with the Agency's significant technical expertise to spearhead our approach toward innovative climate financing. I appreciate the opportunity to discuss key aspects of USAID's role and our response to climate change at this hearing.

The Climate Change Challenge

Climate change is one of the century's greatest challenges, and low-carbon, climate-resilient growth must be a priority of our diplomacy and development work for years to come. Climate change is not just an environmental problem, but a human problem with

direct implications for hunger, poverty, conflict, water scarcity, infrastructure integrity, sanitation, disease, and survival.

It is imperative to address climate change in Asia and the South Pacific because the region contains three of the world's largest emitters and approximately 60 percent of the world's population. By 2030, it is estimated that half of the world's carbon dioxide emissions will be generated in Asia, primarily as a result of surging coal and petroleum use for electricity generation, industry, and transport. Deforestation and land-use change are also significant contributors to greenhouse gas emissions in parts of the region. Over half of Asia's four billion people live near coasts and about 87 percent of the world's small-scale farmers live in Asia. They will all be affected by sea level rise, potentially stronger cyclones, changes in monsoon patterns and either too much or too little water.

Adaptation in Vulnerable Countries

The Small Island States of the Pacific are among the world's most vulnerable to climate change. The economies and livelihood activities of many people are dependent on natural resources, most of which are highly sensitive to the impacts of climate change.

Most of the islands are less than three meters in elevation and very small in area, making them highly vulnerable to sea level rise and storm surge. The majority of the population and infrastructure are on the coast. Currently, waves and storm surge damage infrastructure and sea level rise is expected to exacerbate storm surge and, over time, permanently flood parts of some islands. Higher seas will also affect freshwater supplies over time, as aquifers become infiltrated by seawater. This may affect the livability of islands. If islands and atolls are depopulated, there also will be implications for national boundaries and economic exclusion zones.

Most small islands have a limited water supply, and their water resources are especially vulnerable to future changes in the timing and amount of rainfall. In the Pacific, a ten percent reduction in average rainfall (by 2050) would lead to a 20 percent reduction in the size of the freshwater lens on Tarawa Atoll, Kiribati, for example. Many small

islands have begun to invest in the implementation of adaptation strategies, including desalination, to offset current and projected water shortages.

The small size of the islands and the concentration of their economies into a few climate-sensitive activities such as tourism and fishing limit the adaptation options of these states. However, by improving the management of their limited resources and reducing the stresses within the islands' control, their resilience can be improved greatly and with it, the lives and livelihoods of the people.

The next few years form a critical window for not only following through on the Copenhagen commitments, but also laying the groundwork for decades of climate-resilient and low-emission growth. Implemented effectively, these efforts will significantly increase our collective ability to adapt to climate change and prevent the worst of its impacts. As part of the foundational work particular to Small Island Developing States, USAID may begin adaptation programs for the South Pacific and will work on adaptation programs in the Maldives.

The importance of adaptation efforts

Our efforts support the development and implementation of adaptation strategies in countries critically affected by climate change. We are working with interagency colleagues to develop strategic approaches, decision-making tools, methodologies and institutional support for increasing the resilience of people and communities to anticipated climate change impacts on the highest priority sectors in the most vulnerable countries. Earth observations and information and communication technologies offer opportunities to leap-frog existing barriers and gaps to facilitate more resilient approaches to development.

USAID utilizes its experience in all of the climate-sensitive sectors, including agriculture, fisheries, conflict mitigation, water, health, and disaster risk reduction. Innovation, science and technology can be “game-changers” in areas such developing heat and drought tolerant crops, early warning systems and forecasting capabilities, and new

approaches to conservation. These and other innovations will enable better decision making in partner countries and also help the United States visualize climate impacts, utilize modeling for forecasting future scenarios, and integrate that knowledge into planning.

We are supporting the establishment Climate Change Centers of Excellence in Asia and have already conducted extensive consultations to determine the investments with the greatest impact across the Asia and Pacific region. On June 27, President Obama and President Yudhoyono of Indonesia jointly announced the establishment of a Center that will work closely with national, regional and local stakeholders in and out of government linking science to policy on strategic priorities and partnerships, including public-private partnerships in climate change. The larger SOLUSI partnership – which means “solution” in Indonesian, will represent an opportunity for increased bilateral and multilateral cooperation in the region.

USAID is ramping up a number of activities to improve information and strategies for the particular adaptation challenges of small island states. USAID and partners have developed tools for assessing vulnerability to climate change and climate variability. These tools are essential for developing and implementing adaptation options, and integrating options into programs, development plans, and projects at the national and local levels. They were piloted through technical assistance and training to people and institutions of the Marshall Islands and Micronesia this past year. Stakeholders worked with USAID’s coastal experts to integrate climate change considerations into the Marshall Islands’ resource management process, known as Reimaanlok. This process now is being rolled out across the Marshall Islands and has led to a call for a national freshwater strategy.

Coral Reefs

Coral reefs are one of the most threatened ecosystems by climate change impacts, from rising sea surfaces temperatures and sea levels, to increasing storm surges and ocean acidification. Healthy and resilient coral reefs are vital to the well-being of many small

island states and communities, often forming the island foundation and contributing to the food security of one billion people around the world.

The Coral Triangle – including the Solomon Islands, Papua New Guinea, Timor Leste, Malaysia, the Philippines and Indonesia - is the global center of marine and coral reef biodiversity. The Coral Triangle Initiative for Coral Reefs, Food Security and Climate Change - established in May of 2009 by the leaders of these six countries - is a country-led partnership to safeguard vital coastal resources for present and future generations.

USAID was the first donor to support this initiative starting in fiscal year 2007, and along with the Department of State, provided early and sustained support to enable this diplomatic and development initiative to unfold and gain momentum. To date, USAID has committed \$42 million in support over five years to the regional initiative, which will be leveraged by over \$350 million from other donors.

USAID has been an early supporter of innovative research, management and financing for climate change. Innovative activities under the USAID-supported Coral Triangle Support Program include a regional Business Roundtable that is catalyzing public-private partnerships around sustainable fisheries and tourism, and building corporate social responsibility in the region. Support to The Nature Conservancy and local partners in Papua New Guinea led to the first scientifically-designed, resilient network of marine protected areas. USAID is also supporting learning and capacity building for innovative financing mechanisms in carbon markets and payments for ecosystem services.

Financing through Reduced Emissions from Deforestation and Degradation

To help countries that put forward “ambitious REDD+¹ plans,” the United States announced it would dedicate \$1 billion² over the 2010-2012 timeframe as part of the U.S. contribution towards the “fast start financing” reflected in the Copenhagen Accord³.

¹ Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.

² Funding subject to appropriation by Congress

³ Negotiated at the UN Framework Convention on Climate Change conference in December 2009.

The United States supports REDD+ activities because they offer cost-effective opportunities to reduce global greenhouse gas emissions while providing other sustainable development benefits. REDD+ aims to reduce the long-term global trajectory of forest-related emissions through a complementary set of REDD+ country commitments and external financing for emissions reductions. In addition, given the scale of the challenges, the United States seeks to support country capacity to mobilize financing from all sources, including private sector investment, and international carbon market engagement.

Climate Innovations

USAID is seeking innovative approaches to climate change that leverage scientific research and technologies and strengthen partnerships with the private sector. We must focus on creation of climate-friendly business models that create prosperous economic futures and good jobs for local and indigenous peoples. Often, private direct investment dwarfs public sector contribution to economic growth in developing countries, so our investments must serve a catalytic role through innovations that stimulate growth and development while also being protective of the climate. We seek partnerships that tap into the creativity, as well as human and financial resources of the private sector, in order to stimulate the identification and development of market-based, long-term solutions to climate change. Thank you.